

Message Text

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ACTION XMB-04

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TAGS: OVIP, KS

SUBJECT: EXIM BANK CHAIRMAN CASEY VISIT TO KOREA

1. CHAIRMAN CASEY CARRIED OUT HEAVY SCHEDULE IN SEOUL, CHARACTERIZED BY WIDE RANGING AND FRANK DISCUSSIONS WITH PRESIDENT PARK, PRIME MINISTER KIM, DEPUTY PRIME MINISTER NAM, MINISTERS OF FINANCE, COMMERCE/INDUSTRY AND PRESIDENT KXB, PLUS AMERICAN BANKERS AND KOREAN BUSINESSMEN.

2. CHAIRMAN CASEY PAID CALLS ON PRESIDENT PARK AND PRIME MINISTER KIM, CHONG PIL. BOTH EXPRESSED GREAT APPRECIATION FOR EXIM BANK SUPPORT OF KOREA AND URGED NEW LOANS TO PERMIT ACCELERATED DEVELOPMENT. CASEY RESPONDED THAT EXIM BANK PLEASED WITH KOREAN PERFORMANCE ON LOANS BUT WAS CAUTIOUS ON COMMITMENTS REGARDING NEW LOANS AND SUGGESTED PACE OF DEVELOPMENT NEEDED MODERATION TO AVOID OVEREXTENSION BY KOREA, GIVEN PRESENT ECONOMIC ENVIRONMENT. PRESIDENT PARK ASKED ABOUT STATUS OF LOAN FOR SECOND NUCLEAR POWER PLANT AND CASEY TOLD HIM LOAN WOULD BE CONSIDERED BY BANK DIRECTORS FOLLOWING HIS RETURN TO WASHINGTON. BOTH PRESIDENT AND PRIME MINISTER EXPRESSED CONCERN ABOUT THE STATUS OF THE U.S. ECONOMY, WHICH, WITH JAPANESE ECONOMY, WAS SO CRUCIAL TO KOREA, AND ABOUT

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PROSPECTS FOR REDUCTION IN ENERGY PRICES. CASEY REVIEWED

CURRENT ESTIMATES ON PROSPECTS FOR AN UPTURN IN THE U.S. ECONOMY AND U.S. PLANS FOR DEALING WITH ENERGY CRISIS OVER SHORT AND MEDIUM-TERM.

3. DURING A SOCIAL CHAT WITH CASEY AND THE AMBASSADOR, NAM, DUCK WOO EXPRESSED HIS VIEW THAT THE UNITED STATES SHOULD SEEK MEANS TO PROVIDE CONTINUED FINANCIAL SUPPORT FOR ECONOMIC DEVELOPMENT OF COUNTRIES IN EAST ASIA. HE MADE THE POINT THAT WE HAD SPENT OVER DOLLARS FORTY BILLION IN VIETNAM AND THAT A FRACTION OF THAT SUM INVESTED IN COUNTRIES SUCH AS KOREA WOULD PROVIDE THE NEEDED RESOURCES FOR ECONOMIC DEVELOPMENT, ASSURE STABILITY, AND FOSTER U.S. ECONOMIC RELATIONS IN THE AREA THUS SERVING INTERESTS OF THE UNITED STATES AS WELL AS THOSE OF THE COUNTRIES INVOLVED. NAM WAS NOT PLEADING FOR TRADITIONAL CONCESSIONAL ASSISTANCE BUT FOR CONTINUED EXIM BANK LENDING AND FINANCING THROUGH COMMERCIAL CHANNELS POSSIBLY UNDER A GUARANTEE SYSTEM WHICH WOULD PERMIT LENDING AT TERMS AND CONDITIONS WITHIN THE MEANS OF EACH OF THE COUNTRIES INVOLVED.

4. DURING HIS OFFICIAL CONVERSATIONS THE MAIN KOREAN THEME WAS DEFENSE OF BALANCE OF PAYMENTS PERFORMANCE UNDER TRYING CIRCUMSTANCES AT CONSIDERABLY DOMESTIC COST AT PRESENT BUT WITH CONFIDENCE IN THE LONGER TERM. EXPECTED GROWTH RATE IN CY 1975 WAS CITED AS SEVEN PERCENT, WITH INCREASE IN EXPORTS TO DOLLARS SIX BILLION, AND FOREIGN DEBT SERVICE RATIO HELD AT ABOUT TEN PERCENT, E.G. SCHEDULED REPAYMENTS ON DEBT OVER THREE YEAR TERM AT TEN PERCENT OF EXPORT EARNINGS. A SHOPPING LIST OF NEW PROJECTS FOR WHICH EXIM FINANCING WOULD BE REQUESTED OVER THE PERIOD 1976-76 AND REACHING A GRAND TOTAL OF DOLLARS SEVEN HUNDRED SEVENTY-FIVE MILLION WAS PRESENTED BY MINISTER NAM.

5. CHAIRMAN CASEY'S RESPONSE WAS THAT EACH NEW PROJECT WOULD BE CONSIDERED ON ITS MERITS AND IN LIGHT OF THREE FACTORS: KOREAN B/P PERFORMANCE IN FUTURE, ANALYSIS OF FUTURE DEBT SERVICE CAPACITY, AND NET EXIM EXPOSURE IN KOREA. HE POINTED OUT THAT THIS EXPOSURE SOON WOULD BE APPROACHING DOLLARS ONE BILLION.

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6. ABOVE SHOPPING LIST DID NOT INCLUDE KORI II NUCLEAR POWER PLANT, SNU HOSPITAL EXPANSION, AND ADDITIONAL DOLLARS ONE HUNDRED MILLION IN U.S. EXPORT FINANCING TO COVER COST OVERRUNS ON SEVENTH FERTILIZER. CHAIRMAN CASEY PROMISED PROMPT FINAL DECISION ON KORI II, AGAIN CONDITIONED ON ANALYSIS OF THREE FACTORS ABOVE BUT GENERALLY EXPRESSED IN POSITIVE TONE. HE WAS NONCOMMITTAL ON THE SNU HOSPITAL PROJECT AND THE SEVENTH FERTILIZER OVERRUNS. DURING

CONVERSATIONS THE EXIM STAFF INDICATED THAT DOLLARS THIRTY-FIVE MILLION FOR CFF WOULD BE FORTHCOMING SHORTLY.

7. FROM BOTH U.S. AND KOREAN STANDPOINTS, CHAIRMAN CASEY'S VISIT WAS MOST SUCCESSFUL. HIS FRANK EXCHANGES WITH THE ECONOMIC MINISTERS PROVIDED HIM WITH A FIRST HAND UNDERSTANDING OF THE KOREAN PLANS FOR MANAGING THEIR CURRENT FINANCIAL PROBLEMS AND IN TURN HE OUTLINED CLEARLY THE WILLINGNESS OF THE BANK TO CONSIDER FINANCING FOR FUTURE KOREAN PROJECTS ON A CASE BY CASE BASIS CONSISTENT WITH THE RESOURCES AVAILABLE TO THE BANK AND THE ABILITY OF THE ROKG TO MANAGE ADDITIONAL INDEBTNESS.
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